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TO AMEMBASSY JAKARTA IMMEDIATE

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SUBJECT: FORD/SUHARTO DISCUSSIONS, JULY 5

FOR NEWSOM FROM HABIB

1. FOLLOWING IS A SUMMARY OF PRESIDENT FORD'S DISCUSSION WITH PRESIDENT SUHARTO AT CAMP DAVID JULY 5. SEPTTEL WILL REPORT SEPARATE DISCUSSIONS WITH MALIK AND WIDJOJO.

2. SOUTHEAST ASIAN SECURITY. PRESIDENT FORD EMPHASIZED THAT WE ARE JUST AS CONCERNED TODAY ABOUT MAINTAINING GOOD RELATIONS WITH INDONESIA AS IN EARLIER YEARS; EVENTS IN INDOCHINA HAVE IN NO WAY DIMINISHED OUR INTEREST AND COMMITMENT IN SOUTHEAST ASIA. PRESIDENT SUHARTO SAID THAT AS RESULT OF US EXPLANATIONS, HE HAD NO FEAR THAT THE US WOULD ABANDON ITS RESPONSIBILITY TOWARD PEACE IN THE AREA. HE EXPLAINED THAT GOVERNMENTS OF SOUTH VIET-NAM AND LAOS, WHILE MILITARILY CAPABLE, HAD LACKED A NATIONAL IDEOLOGY TO RALLY THEIR PEOPLE. INDONESIA, HOWEVER, HAD ITS POLICY

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OF DEVELOPING NATIONAL RESILIENCE AND WAS ;RGING THE SAME

COURSE ON OTHER COUNTRIES IN SOUTHEAST ASIA. INDONESIANS DID NOT KNOW WHETHER THE VIETNAMESE WOULD LIMIT THEMSELVES TO DEVELOPMENT OF COMMUNISM WITHIN THEIR OWN BORDERS OR WOULD EVENTUALLY SEEK TO COMMUNIZE THE REGION AND THE WORLD.

IN ANY CASE IT WAS ESSENTIAL THAT THE COUNTRIES AROUND VIET-NAM DETER SUCH A DEVELOPMENT BY STRENGTHENING THEMSELVES POLITICALLY, ECONOMICALLY, AND MILITARILY. A FAILURE IN ECONOMIC DEVELOPMENT WOULD UNDERMINE CONFIDENCE AND MAKE THE PEOPLE SUSCEPTIBLE TO OTHER IDEOLOGIES.

3. RELATIONS AMONG COMMUNIST STATES. IN RESPONSE TO PRESIDENT'S QUESTIONS, PRESIDENT SUHARTO SAID THAT IT WAS TOO SOON TO CONCLUDE JUST WHAT PATTERN THE COMMUNISTS WOULD ESTABLISH WITHIN INDOCHINA. HE THOUGHT THEY WOULD REQUIRE FIVE OR SO YEARS TO CONSOLIDATE THEIR POSITION IN CAMBODIA AND VIET-NAM. EVEN IF THEY WISHED TO STAY SEPARATE, THEY WOULD TRY TO ALIGN THEIR POLICIES AND ENCOURAGE SIMILAR ELEMENTS IN THAILAND, MALAYSIA, THE PHILIPPINES, AND ELSEWHERE. THE SOVIET UNION AND PRC WOULD CONTINUE COMPETING TO EXPAND THEIR OWN INFLUENCE IN THE AREA, WHILE VIET-NAM WOULD TRY AVOID TAKING SIDES.

4. U.S. ASSISTANCE. PRESIDENT FORD SAID WE WANT TO CONTINUE OUR ASSISTANCE PROGRAMS. ALTHOUGH CONGRESS HAS BEEN CUTTING OUR PROGRAMS IN RECENT YEARS, IT WAS PRESIDENT'S INTENTION TO INCREASE AID. IN THE MILITARY FIELD WE WOULD BE ABLE TO MAKE AVAILABLE SOME EQUIPMENT, I.E., FOUR NAVAL VESSELS (WHICH WOULD NOT BE IN TIP-TOP CONDITION), SOME TRUCKS, SOME AIRCRAFT SUCH AS C-47, AND FOUR C-123 TRANSPORTS.

5. SUHARTO ASKED THAT WE REVIEW OUR ASSISTANCE ROLE IN RELATION TO BOTH INDONESIA AND ALL OF SOUTHEAST ASIA, PARTICULARLY TOWARD COUNTRIES WHICH ADOPT A POLICY OF NATIONAL RESILIENCE. THE BEST WAY OF FIGHTING SUBVERSION WAS THROUGH INTELLIGENCE OPERATIONS WHICH NECESSITATED GOOD COMMUNICATIONS TO DETECT AND RESPOND

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TO COMMUNIST ACTIVITIES. AGAINST THE POSSIBILITY THAT THE DANGER MIGHT GROW INTO AN INSURGENCY, INDONESIA REQUIRED MOBILE UNITS AND THUS ITS INTEREST IN BOTH SEA AND AIR TRANSPORT. INDONESIA PARTICULARLY NEEDS TO UPGRADE ITS NAVY, BOTH AS TO TROOP TRANSPORT AND AS TO ITS ABILITY TO INTERDICT OUTSIDE EFFORTS TO SUSTAIN AN INSURGENCY.

6. SUHARTO SUGGESTED THAT WE SET UP A JOINT COMMITTEE TO DECIDE WHAT EQUIPMENT WAS NEEDED BY THE INDONESIAN ARMED FORCES. PRESIDENT FORD AGREED THIS WAS THE WAY TO DECIDE WHAT WAS NEEDED AND WHAT WE COULD DO TO HELP SUPPLY THOSE NEEDS.

7. PRESIDENT SUHARTO EMPHASIZED THAT INDONESIA'S MOST IMPORTANT NEED WAS ECONOMIC RATHER THAN MILITARY. PRESIDENT FORD NOTED THE EXTENT TO WHICH OUR EXIM BANK HAD BEEN ASSISTING INDONESIA AND PROMISED WE WOULD CONTINUE PROVIDING ALL POSSIBLE CREDIT AND GRANT ASSISTANCE THROUGH THIS AND OTHER MEANS TO CONTRIBUTE TO

INDONESIA'S DEVELOPMENT. IN RESPONSE TO PRESIDENT'S QUESTION ABOUT THE INVESTMENT CLIMATE, SUHARTO SAID THAT TOTAL FOREIGN INVESTMENT HAD REACHED \$5 BILLION, AND THAT THE NEXT STEPS WERE HUGE CAPITAL INTENSIVE PROJECTS WHICH WOULD REQUIRE ASSISTANCE OF OTHER COUNTRIES.

8. ARCHIPELAGO PRINCIPLE. SUHARTO MENTIONED THE IMPORTANCE OF THE ARCHIPELAGO PRINCIPLE TO INDONESIA, BOTH AS SOMETHING LONG OBSERVED BY THE INDONESIAN PEOPLE AND AS MEANS OF UNIFYING THE NATION WITHOUT TERRITORIAL AMBITION. HE NOTED SOME US HESITANCE IN ACCEPTING THIS PRINCIPLE BUT ADDED THAT INDONESIA DID NOT WANT TO CREATE DIFFICULTIES WITH OTHER COUNTRIES OVER THIS MATTER. PRESIDENT REPLIED THAT WE HAD BEEN ENCOURAGED BY PROGRESS AT THE LOS CONFERENCE AND HOPED FOR MORE. WE UNDERSTOOD INDONESIA'S PROBLEM; THOUGH WE HAD RESERVATIONS, WE WOULD BE PLEASED TO MEET WITH INDONESIA TO WORK OUT A SOLUTION. HOWEVER, WE HAD TO HAVE MANEUVERABILITY IF WE WERE TO CARRY OUT OUR RESPONSIBILITY IN THE WORLD.

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9. OIL. AFTER EXPRESSING APPRECIATION FOR INDONESIA'S NOT HAVING JOINED THE OIL EMBARGO, PRESIDENT FORD SAID WE ARE CONCERNED ABOUT OPEC RAISING PRICES AT SEPTEMBER MEETING BECAUSE INCREASE WOULD ADVERSELY AFFECT THE RATE OF ECONOMIC RECOVERY IN THE US AND OTHER COUNTRIES, INCLUDING THE THIRD WORLD. PRESIDENT SAID WE WERE AWARE OF INDONESIA'S CONCERN OVER THE PENALTIES IN OUR TRADE BILL AND EXPLAINED THAT WE WERE TRYING TO GET CONGRESS TO ADOPT SELECTIVE, NOT COMPREHENSIVE PENALTIES. SUHARTO COMMENTED THAT INDONESIA DID NOT FAVOR CONFRONTATION WITH THE CONSUMERS AND RECOGNIZED THAT SOME PRODUCERS HAD TAKEN A TOUGH STAND. HE THOUGHT THE SEPTEMBER MEETING WOULD FOCUS ON HOW TO KEEP PRODUCERS' PURCHASING POWER FROM FALLING RATHER THAN ON PRICE

INCREASES. INDONESIA WAS STUDYING WITH OTHERS HOW OIL REVENUES COULD BENEFIT THE PEOPLE DESPITE INFLATION AND RECESSION WHICH HAVE BESET THE WORLD.

10. TIMOR. SUHARTO STATED INDONESIA WOULD NOT USE FORCE AGAINST TERRITORY OF OTHER COUNTRIES AND WOULD SUPPORT DE-COLONIZATION OF TIMOR THROUGH PROCESS OF SELF-DETERMINATION. INDEPENDENCE WAS NOT A VIABLE PROSPECT FOR A PEOPLE WITH SUCH A SMALL TERRITORY AND LACK OF RESOURCES. ONLY WAY TO DEAL WITH TIMOR PROBLEM WAS TO INTEGRATE IT WITH INDONESIA. COMMUNIST ELEMENTS, WHO WERE PUSHING FOR INDEPENDENCE, HAD VIRTUALLY SABOTAGED THE RECENT MEETING IN MACAO. WHILE INDONESIA DID NOT WANT TO INTERJECT ITSELF INTO THE PROCESS, THE

PROBLEM, SUHARTO SAID, WAS HOW TO MANAGE SELF-DETERMINATION SO THAT THE MAJORITY WOULD FAVOR UNITY WITH INDONESIA. INGERSOLL

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